ERCB Energy Resources Conservation Board

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Directive 075

September 15, 2009

Oilfield Waste Liability (OWL) Program

The Energy Resources Conservation Board (ERCB/Board) has approved this directive on September 15, 2009.

Dan McFadyen
Chairman

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1 Purpose of the Oilfield Waste Liability Program

The purpose of the Energy Resources Conservation Board (ERCB) Oilfield Waste Liability (OWL) Program, as set out in this directive, is to

- prevent the costs to suspend, abandon, remediate, and reclaim an ERCB-approved oilfield waste management (WM) facility from being borne by the public of Alberta if a licensee becomes defunct, and
- minimize the risk to the Orphan Fund posed by the unfunded liability of facilities, wells, and pipelines included in the program.

2 Scope of the OWL Program

The OWL Program applies to all ERCB-approved WM facilities except if the approval was issued for a facility solely dedicated to landfill purposes. A description of ERCB-approved WM facility types and associated wells and pipelines included in the OWL Program is provided in Appendix 1. The ERCB will annually update the list of facilities included in this program on its Web site www.ercb.ca.

3 Replacement of the Oilfield Waste Full Security Program

This directive amends the Oilfield Waste Full Security Program and part of the process for transferring a WM facility. Part 16.6: Security of the *Oil and Gas Conservation Regulations* will be amended to be consistent with the requirements of this directive.

A landfill approved by the ERCB and held under a WM approval remains subject to the full security deposit requirements of Part 16.6: Security of the *Oil and Gas Conservation Regulations*.

4 Definitions

For the purposes of this program:

- **Eligible producer licensee** is a licensee whose deemed assets from production volumes reported to the Petroleum Registry of Alberta (PRA) have fallen below its deemed liabilities in the Licensee Liability Rating (LLR) Program and is therefore eligible to have any deemed assets from midstream activities in the LLR, Large Facility Liability Management Program (LFP), and OWL Program included in its LMR deemed asset calculation.
- **Large Facility Liability Management Program (LFP)** is the liability management program governing the large upstream oil and gas facilities specified in Appendix 1 of *Directive 024: Large Facility Liability Management Program (LFP)*.
- **Liability assessment** is an assessment conducted by a licensee to estimate the cost to suspend, abandon, remediate, and reclaim a site.
- **Liability Management Rating (LMR)** is the ratio of a licensee's eligible deemed assets in the LFP, LLR, and OWL programs to its deemed liabilities in those programs.
- **Licensee,** for the purposes of this directive, is a corporate entity that holds an ERCB-issued licence or approval.
- **Licensee Liability Rating (LLR) Program** is the liability management program governing most conventional upstream oil and gas wells, facilities, and pipelines, as

specified in Appendix 1 of *Directive 006: Licensee Liability Rating (LLR) Program and Licence Transfer Process*.

- **Netback** is earnings before interest, taxes, and depreciation and is equal to gross margin (midstream revenue less cost of goods sold) less direct operating costs and applicable general and administrative expenses.
- **Nonproducer licensee (NPL)** is a licensee whose deemed assets from midstream activities in the LLR, LFP, and OWL programs exceed its deemed assets from production volumes reported to the PRA, or a licensee having only facilities included in the LFP or OWL programs.
- **Oilfield Waste Liability (OWL) Program** is the liability management program governing oilfield waste management facilities specified in Appendix 1 of *Directive 075*.
- **Producer licensee** is a licensee whose deemed assets from production volumes reported to the PRA exceed its deemed liabilities in the LLR, LFP, and OWL programs.
- **Site-specific liability** is the estimated cost to suspend, abandon, remediate, and reclaim a facility in the OWL Program.

5 Liability Management Rating Assessment

The ERCB's LMR assessment is a comparison of a licensee's deemed assets in the OWL, LLR, and LFP programs to its deemed liabilities in these programs. Any security deposit provided to the ERCB as a result of the operation of these programs is considered in determining a licensee's "security-adjusted" LMR. The LMR assessment is designed to assess a licensee's ability to address its suspension, abandonment, remediation, and surface land reclamation liabilities. This assessment is conducted monthly and on receipt of a licence transfer application in which the licensee is the transferor or transferee. The determination of deemed assets and deemed liabilities in each of these programs is documented in

- this directive for licences and approvals included in the OWL Program;
- *Directive 006* and *Directive 011: Licensee Liability Rating (LLR) Program – Updated Industry Parameters and Liability Costs,* for licences included in the LLR Program.
- *Directive 024* for licences included in the LFP Program.
- *Directive 001: Requirements for Site-Specific Liability Assessments in Support of the EUB's Liability Management Programs,* for licensees required to provide a site-specific liability cost estimate.

If a licensee's deemed liabilities in these three programs exceed its deemed assets in these three programs plus any previously provided security deposits (including facility-specific security deposits), it has a security-adjusted LMR below 1.00 and is required to provide the ERCB with a security deposit for the difference.

A security deposit determined as a result of an LMR assessment is required to minimize the possibility of the licensee's suspension, abandonment, remediation, and reclamation costs being borne by the Orphan Fund.

For LMR calculation purposes, 100 per cent of the deemed asset value and 100 per cent of the deemed liabilities of a well or facility for which it is the licensee are attributed to the licensee.

6 LMR Security Deposit Requirements

The ERCB conducts its LMR assessment on the first Saturday of each month, following receipt of updated production information from the PRA.

A licensee required to provide the ERCB with a security deposit as a result of a monthly or transfer LMR assessment will be advised in writing of the amount of the security deposit required and the date by which the security deposit must be received. The date specified for payment of a monthly LMR assessment is ordinarily the Friday before the first Saturday of the following month.

If a licensee in the LLR, LFP, or OWL program becomes defunct:

- any non-facility-specific LMR security deposit held by the ERCB will be allocated to address its unfunded suspension, abandonment, remediation, or reclamation liability in each program in which it had liability in proportion to its deemed liability in each program, and
- any facility-specific security deposit held by the ERCB will be applied first to the facility for which it was collected, with any surplus being available for any unfunded liability held by the licensee.

The ERCB's requirements with respect to the form, use, and refund of security deposits provided under a liability management program are in *Directive 068: ERCB Security Deposits.*

A licensee can view information on the type and amount of any security deposit it has with the ERCB on the Digital Data Submission (DDS)/Reports/Liability Rating page on the ERCB Web site www.ercb.ca using its DDS Logon ID and password.

7 Facility-Dedicated Security Deposits

7.1 Requirement for Facility–Specific Security Deposits

The OWL Program requires an NPL or eligible producer licensee, regardless of its LMR, to provide the ERCB with a facility-specific security deposit for the amount by which a WM facility's deemed liabilities exceed its deemed assets.

A facility held by an NPL or eligible producer licensee that does not have a total of 12 calendar months of throughput must provide a security deposit equal to the full deemed liability of the facility.

7.2 Refund of Facility-Specific Security Deposits

An OWL facility-specific security deposit is refundable when the facility has reported 12 calendar months of throughput and the facility's deemed assets equal or exceed its deemed liabilities, provided the licensee is compliant with ERCB requirements.

8 Orphan Program and Fund

The Orphan Fund will pay the costs to suspend, abandon, remediate, and reclaim a well, facility, or pipeline included in the OWL Program if a licensee or working interest participant (WIP) becomes defunct.

The Orphan Fund is fully funded by licensees in the LLR Program and licensees holding WM approvals and licences included in the OWL Program through a levy administered by the ERCB.

The Orphan Fund is administered by the Alberta Oil and Gas Orphan Abandonment and Reclamation Association (OWA), a nonprofit society incorporated under the *Societies Act* on March 20, 2001.

8.1 Orphan Site

A facility, well, or pipeline in the OWL Program is eligible to be declared an orphan when the licensee of the facility, well, or pipeline becomes defunct. The ERCB will designate a licensee meeting this criterion as an orphan, in accordance with Section 70(2) of the *Oil and Gas Conservation Act*. The facility, well, or pipeline will be an orphan for all aspects of this program: suspension, abandonment, decontamination, and surface land reclamation.

8.2 LLR and OWL Orphan Levy Base and Formula

A licensee in the OWL or LLR Program is responsible for its percentage of any orphan levy calculated as the sum of the deemed liability of its licences in the LLR and OWL programs to the total liability of all licences in the LLR and OWL programs as of the date the levy is calculated, in accordance with the following formula:

$$\text{Licensee's share of levy} = \frac{A}{B} \times \text{required levy amount}$$

where

- A is the licensee's deemed liability in the LLR and OWL programs on the date the levy is calculated, determined in accordance with this directive and *Directive 006*, and
- B is the deemed liability of all licences in the LLR and OWL programs on the date the levy is calculated, determined in accordance with this directive and *Directive 006*.

The deemed liability of licences in the LFP is tracked and, as required, assessed separately, as the LFP has a separate and distinct orphan levy base.

8.3 OWL NPL Levy

If an OWL NPL becomes defunct within five years of the effective date of the OWL Program, the remaining OWL NPLs will be subject to a separate OWL NPL levy to address up to the first $2 million of any suspension, abandonment, decontamination, and surface land reclamation costs of the defunct licensee's facilities. The total amount that may be levied against OWL NPL's may not exceed $2 million, regardless of the number of licensees or oilfield waste management facilities that become defunct in this five-year period.

Any suspension, abandonment, decontamination, or surface land reclamation cost arising from an OWL NPL licensee becoming defunct in the first five years of this program over and above the $2 million OWL NPL levy will be an expense of the Orphan Fund. These excess costs will be recovered in the same manner as any other orphan levy cost, which will be payable by licensees in both the LLR and OWL programs.

9 OWL Program Administration

9.1 Program Operation

Detailed information on the operation of the OWL Program and its licence and approval transfer requirements is in Appendices 2 through 7.

9.2 Confidentiality

The ERCB will hold as confidential information submitted to or acquired by the ERCB for the purpose of conducting an LMR assessment. The ERCB will post only a licensee's security-adjusted LMR on its Web site.

9.3 Noncompliance

A licensee that fails to comply with a requirement of the OWL Program is in noncompliance and is subject to the enforcement provisions of *Directive 019: ERCB Compliance Assurance—Enforcement.* A list of risk-assessed noncompliances is available on the ERCB Web site www.ercb.ca/Industry Zone : Compliance and Enforcement : Risk Assessed Noncompliance.

9.4 Program Review

The ERCB will continually monitor the OWL Program to ensure that it is achieving its desired outcomes and is protecting both the public interest and the Orphan Fund.

In addition, the ERCB will undertake a formal review of the effectiveness of the OWL Program in collaboration with stakeholders within 5 years of its implementation.

9.5 Program Resources

Inquiries regarding the requirements of this directive or any aspect of the OWL Program should be directed by e-mail to LiabilityManagement@ercb.ca or to the Liability Management Group's help line at 403-297-3113.

10 Program Implementation

The OWL Program and Orphan Fund protection of facilities, wells, and pipelines included in the OWL Program are effective September 15, 2009.

The ERCB will contact all holders of WM approvals to facilitate appropriate qualification under *Directive 067: Applying for Approval to Hold EUB Licences.*

10.1 Deemed Asset Determination

Upon OWL Program implementation, each NPL and eligible producer licensee requesting a netback must provide the ERCB with a completed *Directive 075* Facility Netback Calculation Form (see Appendix 6) for each facility in the OWL Program for which it is the licensee.

The licensee must also provide the ERCB with NPL volumes, as defined in Appendix 4, handled by each of its facilities.

- For facilities required to report volumetric data to the PRA, the ERCB requires 14 months of reported volumes recorded by month for deemed asset calculation purposes. As volumetric backup, the ERCB requires a copy of the first page of each S-25 statement,

together with a letter from the licensee confirming that its volumes have been balanced, or such other information as the ERCB may require.

- For facilities not required to report volumetric data to the PRA, the ERCB requires volumes that correspond to the same accounting period as the licensee's year-end. If a licensee wishes to report these volumes on a monthly basis, the licensee must also provide the past 14 months of reported volumes by month.

A licensee not prepared to provide the financial information required by the ERCB to verify a facility netback calculation must submit a security deposit for 100 per cent of the deemed liability of each facility for which information is not provided.

A licensee that provides a security deposit in lieu of providing facility netback information is not exempt from the remaining provisions of this program, including the Orphan Fund levy, the OWL NPL levy if required, and the submission of site-specific liability assessments.

10.2 Deemed Liability Determination

Upon OWL Program implementation, each licensee must provide the ERCB with a site-specific liability cost estimate for each WM facility included in this program for which it is the licensee or WM approval holder. This cost estimate must

- be completed on a Facility Liability Declaration Form (Appendix 7);
- reflect the total undiscounted current-day cost to suspend, abandon, decontaminate, and surface land reclaim the site;
- be based on a site-specific liability assessment meeting the requirements of *Directive 001*; and
- be based on meeting ERCB suspension, abandonment, decontamination, and surface land reclamation requirements.

Appendix 1 Facility, Well, and Pipeline Types Included in and Excluded from the OWL Program and the Orphan Fund

1 OWL Program and Orphan Fund Inclusions

The following oilfield waste management facilities, wells, and pipeline types are included in the OWL Program and protected by the Orphan Fund:

- oilfield waste management facilities (excluding landfills) holding a valid WM approval issued by the ERCB and compliant with the financial security requirements of Part 16.6 of the *Oil and Gas Conservation Regulations* on September 15, 2009 (oilfield waste management facilities include all active, inactive, and suspended facilities, as well as facilities going through closure or that were closed subsequent to being included in this program)
- oilfield waste management facilities (excluding landfills) holding or acquiring a valid WM approval from the ERCB and compliant with the financial security requirements of the OWL Program after September 15, 2009
- Class 1a disposal wells, subject to *Directive 051: Injection and Disposal Wells—Well Classifications, Completions, Logging, and Testing Requirements*, associated with WM approved facilities
- pipelines connecting a *Directive 051* Class 1a disposal well with WM approved facilities
- Class 1b disposal wells, as defined in *Directive 051*, associated with a WM approval for decontamination and surface land reclamation liability purposes only

2 OWL Program and Orphan Fund Exclusions

The following facilities, wells, and pipeline types, while protected by the Orphan Fund, are excluded from the OWL Program:

- Class 1b disposal wells, as defined in *Directive 051*, associated with a WM approval for suspension and abandonment liability purposes only; the downhole liability of *Directive 051* Class 1b disposal wells and associated pipelines that are included in the LLR Program
- surface facilities approved by Alberta Environment and associated with *Directive 051* Class 1a disposal wells
- waste management components and practices detailed in *Directive 058: Oilfield Waste Management Requirements for the Upstream Petroleum Industry, Directive 050: Drilling Waste Management, Informational Letter (IL) 99-2: Use of Produced Sand in Road Construction*, and *IL 98-2: Suspension, Abandonment, Decontamination, and Surface Land Reclamation of Upstream Oil and Gas Facilities* that are not covered by a WM approval
- landfills held by WM approval holders that are approved by the ERCB; these remain subject to ERCB full security deposit requirements
- current and historic waste management sites or facilities constructed or operated without a WM approval
- WM approved facilities that have been rescinded, closed, or cancelled before September 15, 2009

- facilities, wells, and pipeline sites designated as contaminated under the *Environmental Protection and Enhancement Act*
- Class 1a disposal wells not associated with a WM approval

Appendix 2 OWL Transfer Process

1 Application Requirements

A WM approval holder proposing to transfer a facility, well, or pipeline included in the OWL Program must have received written approval from the ERCB to transfer the associated WM approval and must meet all applicable transfer requirements of the ERCB. In addition:

- a facility, well or pipeline included in the OWL Program may be included with licences not subject to the OWL Program in a licence transfer application. However, WM approvals cannot be included with licences in a transfer application;
- a facility included in the OWL Program must have a liability assessment meeting the requirements of *Directive 001* accepted by the ERCB and a cost estimate based on that assessment completed within the last calendar year to be eligible for transfer; and
- a facility subject to the OWL Program that requires an updated liability assessment as the result of a cumulative increase in liability must have the required assessment received and accepted by the ERCB to be eligible for transfer (see Appendix 5 for additional information).

2 Transfer LMR Assessment

On receipt of a licence transfer application containing a facility, well, or pipeline included in the OWL Program for which the transfer of the associated WM approval has been approved by the ERCB, the ERCB will conduct an LMR assessment of both the transferor and the transferee. The transfer LMR assessment is conducted as if the transfer were approved (post-transfer LMR).

After approval of a transfer application, the new licensee may update the facility's deemed liability cost estimate or deemed asset calculation in accordance with ERCB requirements for such changes.

3 Deemed Liability on Transfer

The ERCB will use the existing approved deemed liability cost estimate as the deemed liability for a WM facility that is being transferred.

While the new WM approval holder may update the deemed liability cost estimate for the facility at any time following approval of the transfer application, approval of a transfer application does not constitute acceptance of the existing facility cost estimate for any period of time beyond its current expiry period.

4 Deemed Asset on Transfer

If a facility in the OWL Program is licensed to an NPL or an eligible producer licensee (the facility has an approved netback) and the facility is being transferred to another NPL or eligible producer licensee, the existing approved facility netback will be used by the ERCB in determining the facility's deemed asset in the transfer LMR assessment.

If a facility in the OWL Program is licensed to a producer licensee or an NPL that provided full security in lieu of requesting an ERCB-approved netback (the facility does not have an approved netback) and the facility is being transferred to an NPL or an eligible producer licensee, the transferee must either provide the ERCB with

- the facility's netback on a completed Facility Netback Calculation Form (Appendix 6) and the documentation required to support the netback; if accepted by the ERCB, the netback will be used by the ERCB in determining the facility's deemed asset in the transfer LMR assessment, or
- a facility-specific security deposit equal to the deemed liability of the facility.

For transfer purposes, the transferor's netback is valid for 12 months or for such other period of time as may be specified by the ERCB.

5 Corporate Security Deposit

If both the transferor and the transferee have a post-transfer LMR equal to or exceeding 1.00, a corporate security deposit will not be required from either party. If either the transferor or transferee has a post-transfer LMR below 1.00, a security deposit for the difference between its deemed liabilities and the sum of its deemed assets and any previously submitted security deposit held by the ERCB must be received from the party whose post-transfer LMR is below 1.00 before the licence transfer application will be approved.

6 Facility-Specific Security Deposit

Regardless of its post-transfer LMR, if a facility included in the OWL Program and for which a facility-specific security deposit is held by the ERCB is being transferred to an NPL or eligible producer licensee, a replacement facility-specific security deposit equal to the difference between the facility's deemed liabilities and deemed assets is required from the transferee before the transfer will be approved. If the facility has not reported 12 calendar months of throughput, a security deposit for the full amount of the deemed liability of the facility is required.

Appendix 3 LMR Formula

1 Calculation of LMR Rating

The following LMR formula is applicable to NPL and eligible producer licensees in the OWL Program:

$$\text{LMR} = \frac{\text{DA in OWL+ DA in LLR (if any) + DA in LFP (if any)}}{\text{DL in OWL+ DL in LLR (if any) + DL in LFP (if any)}}$$

The following LMR formula is applicable to producer licensees in the OWL Program:

$$\text{LMR} = \frac{\text{DA in LLR}}{\text{DL in OWL+ DL in LLR + DL in LFP (if any)}}$$

where
DA = deemed assets
DL = deemed liabilities

The definition of terms used to calculate a licensee's LMR are provided in Appendix 5: Deemed Assets and Appendix 6: Deemed Liabilities.

2 Calculation of Facility-Specific Rating

The following formula is used to determine facility-specific ratings in the OWL Program:

$$\text{Facility-Specific Liability Rating} = \frac{\text{Deemed asset of facility (determined by Appendix 5)}}{\text{Deemed liability of facility (determined by Appendix 6)}}$$

Appendix 4 Deemed Assets

1 Deemed Asset Eligibility

Only an NPL or eligible producer licensee is entitled to calculate a deemed asset for its oilfield waste management facilities included in the OWL Program.

2 LMR Deemed Asset Calculation

An NPL or eligible producer licensee's deemed asset in the LMR formula is the sum of

- the deemed assets calculated for each oilfield waste management facility for which it is the licensee in the OWL Program,
- the deemed assets value of any oil and gas production reported to the PRA from any well for which it is the licensee,
- the deemed assets of any eligible midstream activities determined in the LLR Program, and
- the deemed assets of any eligible midstream activities determined in the LFP Program.

3 OWL Program Deemed Asset Calculation

For OWL deemed asset calculation purposes, a licensee's deemed asset is the sum of the facility-specific deemed assets calculated for each facility included in the OWL Program for which it is the licensee.

The deemed asset of each facility is determined using a facility netback provided by the licensee and accepted by the ERCB.

4 Waste Management Facility Deemed Asset Calculation

A WM facility's deemed assets is the sum of its NPL volumes multiplied by the ERCB-approved netback for these volumes, multiplied by 3 years, multiplied by 0.5, where

- **NPL volume** is defined as the previous 12 months' volume of material received as industrial or oilfield waste that has been removed from the facility and/or disposed of permanently at a facility via deep well disposal;
- **facility netback** is defined as the NPL's net profit per unit of volume processed or injected; and

The first WM facility that receives the waste volumes is the facility that is to record the revenue for netback calculation purposes. The volumes reported must correspond to the same accounting period as the licensee's most recent year-end.

The use of information provided to the PRA results in a 2-month delay between the last day of the production month and the date that month's data are available for use in the OWL calculation. This delay accommodates the late submission of information and subsequent data correction.

WM approvals that do not report volumetric data to the PRA may choose to submit monthly volumetric information electronically through the DDS system or can report their volumes annually at the time of netback submission.

5 Facility Netback

Each NPL and eligible producer licensee requesting a deemed asset for a facility included in the OWL Program must provide the ERCB with a completed Facility Netback Calculation Form (Appendix 6) and the required supporting documentation for each facility for which it is the licensee annually within 6 months of its fiscal year-end.

In support of a facility netback calculation, the ERCB requires a licensee to provide a copy of

- its annual report, or
- an audited financial statement for its fiscal year, or
- an unaudited financial statement accompanied by a copy of its Schedule 1 and T2 corporate income tax return for its fiscal year, and
- any additional supporting documentation required by the ERCB.

In all cases, the financial statement must be prepared in accordance with generally accepted accounting principles.

A facility netback accepted by the ERCB will be valid for a period not exceeding 18 months from the licensee's fiscal year-end. A licensee must provide the ERCB with an updated netback meeting the requirements of this directive for each facility annually within 6 months of its fiscal year-end.

Failure to provide and obtain ERCB acceptance of a facility netback will result in that facility's netback being set to $0.00, which will require the licensee to provide the ERCB with a security deposit equal to that facility's deemed liability.

An oilfield waste management facility that has not reported 12 calendar months of throughput is ineligible to obtain a facility netback.

Financial Security as an Alternative to Providing Facility Netback Information

A licensee not prepared to provide the financial information required by the ERCB to calculate a deemed asset for a facility must provide the ERCB with a security deposit equal to 100 per cent of the deemed liability of that facility.

Appendix 5 Deemed Liabilities

1 Facility Deemed Liability Determination

The deemed liability of a licensee in the OWL Program is the sum of its site-specific liability cost estimates to suspend, abandon, decontaminate, and surface land reclaim each of its facilities included in the OWL Program based on the most recent site-specific liability assessment accepted by the ERCB.

The deemed liability of a new facility is the estimated cost to suspend, abandon, decontaminate, and surface land reclaim the facility, as identified in the application process and accepted by the ERCB at the time the WM approval is issued.

The deemed liability of a Class 1a disposal well included in the OWL Program is the site-specific liability cost estimate to suspend, abandon, decontaminate, and surface land reclaim the well and well site.

The deemed liability of a Class 1b disposal well included in the OWL Program is the site-specific liability cost estimate to decontaminate and surface land reclaim the well site.

2 Liability Cost Estimate Requirements

A liability cost estimate is valid for a 5-year period commencing from the completion date of the site-specific liability assessment on which it was based.

A licensee may provide the ERCB with an updated site-specific cost estimate to reflect a change in a facility's liability at any time.

A licensee must provide the ERCB with an updated site-specific cost estimate via the Facility Liability Declaration Form (Appendix 7) in hard copy and electronically through the DDS system

- upon OWL Program implementation,
- within 5 years of a previous ERCB-accepted cost estimate, and
- within 60 days of the licensee becoming aware of a cumulative increase in a facility's estimated liability equal to or in excess of either $1 million or 10 per cent of the facility's current liability.

3 ERCB Review

The ERCB will review all site-specific cost estimates and may conduct a detailed technical review of the site-specific liability assessment on which the estimate was based. When requested by the ERCB, a licensee must provide the site-specific liability assessment documentation specified in *Directive 001* within 30 days, unless otherwise specified by the ERCB.

If any deficiencies are identified by the ERCB, the licensee may be required to

- provide specified additional information, or
- conduct an additional site investigation to address identified issues or to provide a better estimate of associated costs.

A licensee must address identified deficiencies within the time specified by the ERCB..

Appendix 6 Facility Netback Calculation Form

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Facility Netback Calculation Form

Part A: Corporate Reconciliation

Date of completion _____

Licensee name _____

ERCB four-digit company code _____ Licensee year-end _____

	LLR Program	LFP	OWL Program	Other revenue or expense	Total for company
Revenue					
Operating costs					
Specific general and administrative costs					
Net revenue					

Part B: Facility Netback Calculation for the _____ Program

	Facility 1	Facility 2	Facility 3	Facility 4	Total
Facility ERCB licence or waste management approval number					
Facility type					
Licensee's percentage ownership of facility					
Revenue					
Operating costs					
Specific general and administrative costs					
Net revenue					
NPL volumes (m^3 or 10^3 m^3)					
Netback ($/$m^3$ or $/$10^3$ m^3)					

The signature below certifies that the information contained within is complete and accurate.

Name (printed) _____

Position _____

Signature of corporate signing officer _____

See the following page for instructions on how to complete this form.

Completing the Netback Calculation Form

- The ERCB must be able to clearly track the financial information provided on the Facility Netback Calculation Form back to the financial statements provided. An in-house profit-and-loss statement and/or an explanation of the methodology used to come up with the entries on the Facility Netback Calculation Form may be required.
- All entries reported on the Facility Netback Calculation Form must correspond to the same accounting time period as the company's corporate year-end financial statements.
- Excluded revenues are to be recorded in the "Other revenue or expense" column to reconcile totals with the company's corporate year-end financial statements.
- If the licensee's net revenue is negative for all the facilities that would normally be recorded on the Facility Netback Calculation Form, no netback submission is required, as an asset value will not be generated for a negative net revenue value.
- For the purpose of the netback submission, net revenue refers to earnings before interest, taxes, and depreciation and is equal to gross margin (midstream revenue less cost of goods sold) less direct operating costs and applicable general and administrative costs.
- The netback under liability management programs is intended to represent the net revenue value that a similar midstream licensee could achieve if it operated the same midstream facility. Therefore, revenue and expense items that would not be typical of facility operations should be excluded from the netback calculations.
- "Corporate Officer" is an position listed in the corporation's bylaws and ordinarily includes president, vice president, treasurer, and secretary.

NPL Volumes

- *Directive 006* (LLR) and Directive 024 (LFP) – "NPL volumes" refers to the total received inlet volumes reported to the PRA against the reporting facility ID codes attached to your facility licences. Report only third-party volumes from which you generate revenue. Volumes from a licensee's own production are not to be included.
- Directive 075 (OWL) – "NPL volumes" refers to the volume of material that has been removed from a facility and/or disposed of permanently at a facility via deep well disposal that was initially received as industrial or oilfield waste.

Large Facility Program (LFP)

- *Directive 024* LFP submissions for straddle plants require a five-year average netback. List each of the five years separately using the format in Part B. Submit the corresponding financial documentation for the most recent year-end. If five years' worth of financial information is not available for a facility, the ERCB will use the average for the number of years that a licensee has owned the facility until such time as a five-year average is available.

Oilfield Waste Liability (OWL) Program

- The first waste management (WM) facility that receives the waste volumes is the facility that is to record the revenue for netback calculation purposes. The volumes reported must correspond to the same accounting period as the licensee's most recent year-end.
- Under the PRA, produced water going to a waste plant (WP) gets reported to the WP. Therefore, for those instances where the produced water is reported to a WP, the first WM facility that receives the produced water is the facility that is to record the volume and corresponding facility-specific netback for those volumes. The netback would not be reflected in the LLR Program in these instances.

Direct any questions by e-mail to LiabilityManagement@ercb.ca or to the Liability Management Group's help line 403-297-3113.

Appendix 7 Facility Liability Declaration Form

ERCB Energy Resources Conservation Board

Directive 075
Facility Liability Declaration

Licensee name: _____

Facility location: _____

ERCB WM Approval No: WM_____

WM facility type: storage, transfer, processing, surface facility associated with a disposal well, waste cavern, biodegradation, thermal, landfill, other: _____ (describe)

Date of Assessment: _____

Retained Liability: ☐ Liability retained by previous licensee through contract (describe on attached sheet).

Each cost estimate reported must be the total undiscounted current-day estimate for complete asset retirement obligations (suspension, abandonment, remediation, and reclamation).

Suspension and Abandonment (purging, dismantlement, and demolition costs):

Cost estimate: _____

Basis for estimate:

- ☐ fully meets *Directive 001,*
- ☐ based on a site-specific suspension and abandonment cost estimating model,
- ☐ based on preliminary suspension and abandonment cost estimates, or
- ☐ CICA ("accounting estimate"/Best Engineering).

Remediation (soil and groundwater):

Cost estimate: _____

Basis for estimate:

- ☐ fully meets *Directive 001,*
- ☐ based on a Phase II environmental site assessment,
- ☐ based on Phase I environmental site assessment, or
- ☐ CICA ("accounting estimate"/Best Engineering).

Surface Reclamation:

Cost estimate: _____

Basis for estimate:

- ☐ fully meets *Directive 001,*
- ☐ based on a Phase II environmental site assessment,
- ☐ based on Phase I environmental site assessment, or
- ☐ CICA ("accounting estimate"/Best Engineering).

Total facility liability estimate: _____

Note: If your company is only able to provide the total facility liability estimate and has not done a detailed assessment of suspension, abandonment, remediation, or reclamation costs, please provide the basis for your estimate:

_____

_____

_____

The signature below certifies that the information contained within is complete and accurate based on the best available information.

Signature of senior corporate officer or director _____

Position and professional designation _____

Date_____